

VZCZCXRO9328  
RR RUEHAG RUEHDF RUEHIK RUEHLZ RUEHROV RUEHSL RUEHSR  
DE RUEHMD #0852/01 2341036  
ZNR UUUUU ZZH  
R 221036Z AUG 09  
FM AMEMBASSY MADRID  
TO RUEHC/SECSTATE WASHDC 1136  
INFO RUCNMEM/EU MEMBER STATES COLLECTIVE  
RUEHLA/AMCONSUL BARCELONA 4104  
RUCPDOG/DEPT OF COMMERCE WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS SECTION 01 OF 02 MADRID 000852

C O R R E C T E D C O P Y (CORRECTED DATES IN THE SUBJ)  
SIPDIS

STATE FOR EUR/WE, EEB/IFD/OMA  
COMMERCE FOR 4212/D.CALVERT  
TREASURY FOR OIA/OEE/R.JOHNSTON

E.O. 12958: N/A  
TAGS: [EAIR](#) [ECON](#) [EFIN](#) [EINV](#) [ELAB](#) [ETRD](#) [KFLU](#) [SP](#)  
SUBJECT: MADRID ECONOMIC BIWEEKLY, AUG 17-22

REF: MADRID 820

MADRID 00000852 001.4 OF 002

Contents:

EFIN/EINV: BBVA Buys Failed Texas Bank  
ELAB: GOS Agrees to Extend Unemployment Benefits to More Beneficiaries  
EFIN: GOS Considering Difficult Steps for 2010 Budget  
ETRD: Trade Deficit Falls; Imports, Exports Both Down  
EAIR: Spanair Crash Anniversary Coincides With Release of U.S., Spanish Documents  
KFLU: H1N1 Could Cost Businesses More than 3 Billion Euros

BBVA Buys Failed Texas Bank

1.(U) BBVA, Spain's second largest bank, strengthened its position in Texas and entered California by purchasing the banking operations of Guaranty Bank from the FDIC on August 12. The transaction marked the first time a foreign bank has bought a failed U.S. bank. As is common in such transactions, the FDIC agreed to bear most of the losses on about \$11 billion of Guaranty Bank's loans and other assets. Texas-based Guaranty is the second largest U.S. bank to fail this year and the tenth largest in U.S. history, and its collapse is expected to cost the FDIC some \$3 billion. The transaction makes BBVA's U.S. division, Birmingham-based BBVA Compass, the 15th largest commercial bank in the U.S., with about \$49 billion in deposits. (BBVA Compass Press Release, 8/21; AP, 8/22)

GOS Agrees to Extend Unemployment Benefits to More Beneficiaries

2.(U) Facing strong criticism because the six-month supplemental unemployment benefit announced August 13 (reftel) only applied to those whose regular benefits had expired after August 1, President Zapatero said August 19 that the GOS would consult with labor and political parties and provide benefits to some of those whose benefits ran out earlier. Labor Minister Corbacho indicated that the GOS planned to change the eligibility date to June 1. This would add another 100,000 beneficiaries (at an estimated cost of over 200 million euros) but would still leave half a million others without assistance. (El Pais, 8/20)

GOS Considering Difficult Steps for 2010 Budget

3.(U) The GOS is considering several unpopular measures as it prepares its 2010 budget, expected to be presented to the

Congress in September. This year's deficit is expected to reach an unsustainable level around 10% of GDP, and with economic activity expected to continue to decline into 2010, revenues that year likely will fall from their 2009 level. Infrastructure Development Minister Jose Blanco, perhaps the key official in the ruling party, suggested that the GOS would increase tax rates on high earners, though Finance Ministry officials are reported to oppose this step. The GOS is reported to be considering freezing public employees' salaries or increasing them only slightly. (El Pais, 8/21-22)

#### Trade Deficit Falls; Imports, Exports Both Down

4.(U) Spain's trade deficit fell 53% in the first half of 2009 from its first-half 2008 level, reaching 24 billion euros. A 32% decline in imports more than made up for a 21% decline in exports. Energy imports fell 46%, while auto exports fell 28%. (El Pais, 8/20)

#### Spanair Crash Anniversary Coincides With Release of U.S., Spanish Documents

5.(U) As Spain marked the one-year anniversary of the 8/20/2008 Spanair crash, Infrastructure Development Minister Jose Blanco said that the accident could have been prevented had the airlines implemented recommendations made prior to the crash. The findings of the Civil Aviation Accidents Commission (CIAIAC) investigation, released this week, suggest that a combination of pilot error and mechanical failure caused the Spanair crash: the pilots did not realize that the wing flaps and slats were not properly extended during their predeparture checks and the Take Off Warning System (TOWS) failed to sound. The Minister cited a notice issued earlier in the week by the U.S. National Transportation Safety Board (NTSB), which found that the same

MADRID 00000852 002.4 OF 002

set of factors caused both the 1987 Detroit crash and a 2007 incident of a plane departing from Lanzarote in the Canary Islands. Lessons from both could have prevented the Spanair crash. However, the CIAIAC has yet to complete an investigation of the Lanzarote incident -- had it followed international norms, it would have completed it within a year, before the Spanair crash -- and the NTSB's post-Detroit recommendations of 1988 were not adopted by all airlines. Spanair only required its pilots to check the TOWS system once a day, as opposed to prior to each flight. Blanco applauded the NTSB decision to adopt three of the seven measures recommended in the CIAIAC report. He added that the GOS would push for adoption of all of the measures by EU member states during Spain's EU Presidency next year. (El Pais, 8/20; All Media, 8/18-8/19)

#### H1N1 Could Cost Businesses More than 3 Billion Euros

6.(U) The Ministry of Health now estimates that 25-30% of the population in Spain could contract the H1N1 virus. At this rate, businesses are calculating that costs due to sick leave (with approximately 30% of the workforce out for around 6 days) would exceed 3 billion euros. To date, only around 25% of Spanish companies have implemented contingency plans aimed at preventing the spread of the virus. For its part, the GOS plans to purchase 37 million doses of the H1N1 vaccine, slated to be available by the end of the year. Spain had its twelfth fatality on August 17, and estimates put the current rate of infection at more than 14,000 a week. (Expansion, 8/19)

DUNCAN